

**Red Rock Center for Independence
(A Nonprofit Organization)
Financial Statements
For the Year Ended September 30, 2006**

Red Rock Center for Independence
Financial Statements
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INDEPENDENT AUDITORS' REPORT

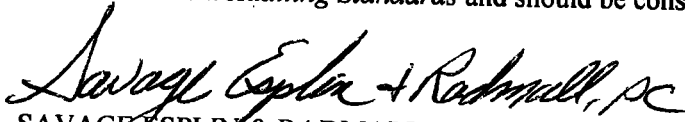
To the Board of Directors
Red Rock Center for Independence

We have audited the accompanying statement of financial position of Red Rock Center for Independence (a nonprofit organization) as of September 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presently fairly, in all material respects, the financial position of Red Rock Center for Independence as of September 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2006 on our consideration of Red Rock Center for Independence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


SAVAGE ESPLIN & RADMALL, PC
November 14, 2006

Red Rock Center for Independence
Statement of Financial Position
As of September 30, 2006

Assets:

Current Assets

Unrestricted Cash and Cash Equivalents	\$ 56,982
Restricted Cash and Cash Equivalents	470
Grants Receivable (Note 3)	<u>35,908</u>

Total Current Assets	<u>93,360</u>
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Fixed Assets

Property and Equipment (Note 4)	59,667
Accumulated Depreciation	<u>(39,812)</u>

Total Fixed Assets	<u>19,855</u>
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Total Assets	<u>\$ 113,215</u>
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Liabilities and Net Assets:

Current Liabilities

Accounts Payable	\$ 8,969
Payroll Liabilities	1,534
Accrued Vacation	<u>7,063</u>

Total Current Liabilities	<u>17,566</u>
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Total Liabilities	<u>17,566</u>
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Net Assets:

Unrestricted	95,179
Temporarily Restricted (Note 5)	470
Permanently Restricted	<u>-</u>

Total Net Assets	<u>95,649</u>
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Total Liabilities and Net Assets	<u>\$ 113,215</u>
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Red Rock Center for Independence
Statement of Activities
For the Year Ended September 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:				
Grant Income	\$ -	\$ 455,755	\$ -	\$ 455,755
Contribution Income	2,902	-	-	2,902
Fundraising Income	8,714	-	-	8,714
Interest Income	1,015	-	-	1,015
Satisfaction of Grant & Other Restrictions	460,842	(460,842)	-	-
Total Revenues, Gains and Other Support	<u>473,473</u>	<u>(5,087)</u>	<u>-</u>	<u>468,386</u>
Expenses and Losses:				
Program Services:				
Independent Living	359,551	-	-	359,551
Support Services:				
Management and General Expenses	103,525	-	-	103,525
Fundraising Expense	1,285	-	-	1,285
Total Expenses and Losses	<u>464,361</u>	<u>-</u>	<u>-</u>	<u>464,361</u>
Changes in Net Assets	9,112	(5,087)	-	4,025
Net Assets at Beginning of Period	<u>86,067</u>	<u>5,557</u>	<u>-</u>	<u>91,624</u>
Net Assets at End of Period	<u>\$ 95,179</u>	<u>\$ 470</u>	<u>\$ -</u>	<u>\$ 95,649</u>

Red Rock Center for Independence
Statement of Functional Expenses
For the Year Ended September 30, 2006

<u>Expense Category</u>	<u>Independent Living</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Communication	\$ 8,350	\$ -	\$ -	\$ 8,350
Conference and Training	7,732	-	-	7,732
Depreciation	6,749	-	-	6,749
Fees & Registration	6,351	-	-	6,351
Home Modifications / Equipment	17,038	-	-	17,038
Insurance	6,261	2,435	-	8,696
Professional Fees	-	5,099	-	5,099
Rent	19,593	7,619	-	27,212
Repairs and Maintenance	4,994	-	-	4,994
Salaries and Benefits	223,173	86,596	-	309,769
Supplies	6,107	-	-	6,107
Travel	44,972	-	-	44,972
Utilities	4,567	1,776	-	6,343
Other Expenses	3,664	-	-	3,664
Fundraising Expense	-	-	1,285	1,285
Total Expenses	\$ 359,551	\$ 103,525	\$ 1,285	\$ 464,361

See accompanying notes to financial statements

Red Rock Center for Independence
Statement of Cash Flows
For the Year Ended September 30, 2006

Cash Flows From Operating Activities:

Cash Received from Grants	\$ 436,070
Cash Received from Contributions	2,902
Cash Received from Fundraisers	8,714
Interest Received	1,015
Cash Paid for Program Services	(345,639)
Cash Paid for Support Services	(102,025)

Net Cash Provided by Operating Activities	1,037
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Cash Flows From Investing Activities:

Purchase of Property and Equipment	(11,181)
Disposal of Property and Equipment	1,070

Net Cash Used by Investing Activities	(10,111)
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Net Decrease in Cash and Cash Equivalents	(9,074)
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Cash and Cash Equivalents, Beginning of Year	66,526
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Cash and Cash Equivalents, End of Year	\$ 57,452
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**Reconciliation of Change in Net Assets to Net
Cash Provided by Operating Activities:**

Change in Net Assets	\$ 4,025
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:	
Depreciation Expense	6,749
Increase in Accounts Receivable	(19,685)
Increase in Accounts Payable	8,228
Increase in Payroll Liabilities	431
Increase in Accrued Vacation	1,289

Net Cash Provided by Operating Activities	\$ 1,037
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Supplemental Schedule of Noncash Investing and Financing Transactions:

Disposal of Obsolete Fixed Assets	\$ 4,347
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**Red Rock Center for Independence
Notes to Financial Statements
September 30, 2006**

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Red Rock Center for Independence (a non-profit organization) was organized under the laws of the State of Utah and began operations on May 30, 1997. The Organization was organized to act as a catalyst and coordinate with civic groups, service organizations, and individuals, as needed, to achieve awareness of issues and needs of people with disabilities and to stimulate a coordinated community effort to actively address those issues/needs, promoting the general welfare and independence of people with disabilities. The Organization is primarily funded by grants through the State of Utah and the Department of Education.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

In accordance with SFAS NO. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributed Services

During the year ended September 30, 2006, the Organization benefited from the services of volunteer peer counselors. The value of the contributed services did not meet the requirements for recognition and, therefore, has not been recorded.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Acquisitions of property and equipment in excess of \$300 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed using primarily the straight-line method.

Red Rock Center for Independence
Notes to Financial Statements
September 30, 2006

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization is classified as a public charity.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Restricted Cash

Restricted cash is cash held that must be used according to the grant agreements. All grant-restricted funds are held in non-interest bearing bank accounts. Unrestricted cash is held in accounts that bear interest.

Note 2 – Cash and Cash Equivalents

At year end the carrying amount of the Organization's deposits was \$57,402 and the bank balance was \$78,449. Of the bank balance, \$78,449 was covered by federal depositor insurance.

The Organization's deposits at year end are as follows:

	<u>Carrying Amount</u>
Cash on hand	\$ 50
Cash in bank	<u>57,402</u>
Total	<u>\$ 57,452</u>

Cash and investments are reported in the Statement of Financial Position as follows:

Cash and cash equivalents	\$ 56,982
Restricted cash	<u>470</u>
Total	<u>\$ 57,452</u>

Restricted cash is cash held that must be used according to the grant agreements. All grant restricted funds are held in non-interest bearing bank accounts. Unrestricted cash is held in accounts that bear interest.

Note 3 – Grants Receivable

Grants receivable for services provided are \$35,908 net of allowance for doubtful accounts of \$0.

Red Rock Center for Independence
Notes to the Financial Statements
September 30, 2006

Note 4 – Property and Equipment

Property and equipment at September 30, 2006 consisted of the following:

	Balance <u>9/30/2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>9/30/2006</u>
Equipment & Fixtures	57,418	11,181	(8,932)	59,667
Vehicles	-	-	-	-
Total	<u>57,418</u>	<u>11,181</u>	<u>(8,932)</u>	<u>59,667</u>
Less Accumulated Depreciation	<u>40,925</u>	<u>6,749</u>	<u>7,862</u>	<u>39,812</u>
	<u><u>16,493</u></u>	<u><u>4,432</u></u>	<u><u>(1,070)</u></u>	<u><u>19,855</u></u>

Depreciation expense for the year ended September 30, 2006, was \$6,749 and is reported as part of the expenses in the Statement of Activities.

Note 5 - Temporarily Restricted Net Assets

The temporarily restricted net asset account is comprised of the unspent portion of grant money that is restricted to use.

Note 6 - Net Assets Released from Restrictions

Net assets were released from grant restrictions by incurring expenses satisfying the restricted purposes specified by the grants.

Purpose restrictions accomplished:

Independent living \$ 460,842

Note 7 - Lease Commitments

Commencing December 1, 2004, the Organization committed to a five year lease for their office space. Monthly leases payments amount to \$2,126. Future minimum operating lease commitments are as follows:

<u>Year Ended</u> <u>September 30,</u>	
2007	\$25,512
2008	25,512
2009	25,512
2010	<u>6,378</u>
Totals	<u><u>\$82,914</u></u>

Red Rock Center for Independence
Notes to the Financial Statements
September 30, 2006

Note 8 - Retirement

The Organization contributes 5 percent of the gross pay of eligible employees into the individual's Simplified Employer Pension Individual Retirement Account (SEP IRA) plan held at Edward Jones. Full-time employees are eligible to participate after a 90 day waiting period and are 100 percent vested in all contributions made to their accounts. Contributions are made based on regular payroll compensation for each eligible employee. For the year ended September 30, 2006, employer contributions were \$11,361.

Note 9 – Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Organization maintains insurance for auto liability, employee dishonesty and general liability through private insurance companies. Worker's compensation is carried through the State Worker's Compensation Fund.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Red Rock Center for Independence

We have audited the financial statements of Red Rock Center for Independence (a nonprofit organization) as of and for the year ended September 30, 2006, and have issued our report thereon dated November 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting


In planning and performing our audit, we considered Red Rock Center for Independence's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance & Other Matters

As part of obtaining reasonable assurance about whether Red Rock Center for Independence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Red Rock Center for Independence in a separate letter dated November 14, 2006.

This report is intended solely for the information and use of the board of directors, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


SAVAGE ESPLIN & RADMALL, PC

November 14, 2006

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

Board of Directors
Red Rock Center for Independence

We have audited the accompanying financial statements of Red Rock Center for Independence, a nonprofit corporation, for the year ended September 30, 2006, and have issued our report thereon dated November 14, 2006. As part of our audit, we have audited Red Rock Center for Independence's compliance with the provider contract determined to be a major assistance program required by the State of Utah Legal Compliance Audit Guide for the year ended September 30, 2006. Red Rock Center for Independence received the following major assistance program from the State of Utah:

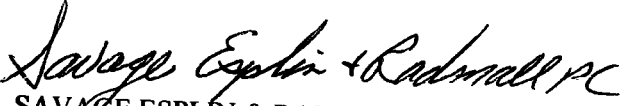
USOR – Division of Rehabilitation

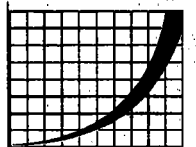
The management of Red Rock Center for Independence is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Red Rock Center for Independence's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Red Rock Center for Independence complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance program for the year ended September 30, 2006.


SAVAGE ESPLIN & RADMALL, PC
November 14, 2006



SAVAGE ESPLIN & RADMALL, PC

Certified Public Accountants

Finding & Recommendation

Board of Directors
Red Rock Center for Independence
St. George, UT 84770

General findings and recommendations:

Finding: During testing of the Organization's cost allocation plan, we noted that in some instances indirect costs were not allocated according to the plan.

Recommendation:

We recommend that the Organization review its cost allocation plan & the corresponding worksheet to insure that it is calculating correctly and allocating indirect costs according to the approved plan.

Response

Please respond to the above finding so it can be attached with this document and mailed to the State Auditor in accordance with state law.

This report is intended solely for the information and use of the Organization's board of directors, management, and others with the Utah State Auditor's Office. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

It has been a pleasure to be of service to the Organization this past year. We appreciate the help we have received from the employees who have assisted us in this year's audit. We would encourage you to ask questions of us throughout the year as they arise.

Sincerely,

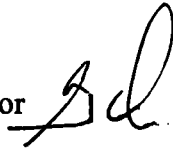
SAVAGE ESPLIN & RADMALL, PC
November 14, 2006



RED ROCK CENTER FOR INDEPENDENCE

To: RRCI Board of Directors

From: Garry Owens – Executive Director



Date: 12-18-06

RE: Findings and Recommendations by Savage, Esplin and Radmall

"Finding: During testing of the Organization's cost allocation plan, we noted that in some instances indirect costs were not allocated according to the plan."

After careful review of the formulas in our Cost Allocation Plan and changing them to better reflect our program budgets we have verified that the formula will be properly reflected in future indirect costs. The Board of Directors have approved this response as of December 18, 2006.